

Message Text

CONFIDENTIAL

PAGE 01 MTN GE 02159 221509Z
ACTION STR-02

INFO OCT-01 SS-14 ISO-00 EB-04 STRE-00 AGRE-00 NSC-05
NSCE-00 INR-05 CIAE-00 OMB-01 TRSE-00 L-01 SP-02
IGA-01 EUR-08 /044 W
-----221514Z 040017 /43
P 221426Z MAR 77
FM USDEL MTN GENEVA
TO SECSTATE WASHDC PRIORITY 2334
INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L MTN GENEVA 2159

LIMDIS

STR ACTION

PASS AGRICULTURE

E.O. 11652: GDS
TAGS: EAGR, ETRD
SUBJECT: US-EC AGRICULTURAL DISCUSSIONS, WASHINGTON, MID-APRIL

REF: EC BRUSSELS 2590

1. MTN DEL WELCOMES USEC CONTRIBUTION TO PLANNED MID-APRIL US-EC WASHINGTON DISCUSSIONS. USEC'S VIEW COINCIDE IN MANY RESPECTS WITH THOSE OF MTN DEL. HOWEVER, THERE ARE SEVERAL POINTS TO WHICH WE WISH TO ADD OUR COMMENTS.

2. WE AGREE THAT THE GRAIN SECTOR REPRESENTS ONE OF THE KEY ELEMENTS IN THE AGRICULTURAL MTN AND THAT A US-EC UNDERSTANDING WITH REGARD TO THIS SUBJECT WOULD REMOVE ONE OF THE MAJOR STUMBLING BLOCKS TO THE NEGOTIATIONS. WE ALSO AGREE THAT IF THE U.S. IS WILLING TO ENTER AN INTERNATIONAL GRAINS AGREEMENT WITH PRICE PROVISIONS, THIS DEPARTURE FROM OUR PREVIOUS POSITION SHOULD FOR TACTICAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MTN GE 02159 221509Z

REASONS BE PRESENTED TO THE EEC AS A MAJOR US CONCESSION WHICH CALLS FOR CORRESPONDING EC READINESS TO COMPROMISE.

3. IT MUST NOT BE FORGOTTEN THAT THE US HAS PARTICIPATED SINCE 1949 IN ALL INTERNATIONAL WHEAT AGREEMENTS INCLUDING THE CURRENT INTERNATIONAL WHEAT AGREEMENT, CONCLUDED IN 1971, AND HAS NOT OPPOSED A RENEWAL OF THIS AGREEMENT.

4. THUS THE IMMEDIATE ISSUE IS NOT US WILLINGNESS TO PARTICIPATE IN AN INTERNATIONAL WHEAT AGREEMENT BUT IN ONE HAVING STRICT PROVISIONS FOR THE MAINTENANCE OF PRICES WITHIN A GIVEN RANGE WITH THE HELP OF BUFFER STOCKS. IF THE US NOW CONTEMPLATES SETTING SUCH AN AGREEMENT, IT MIGHT WISH TO DEVELOP ITS OWN IDEAS ON THE NATURE OF SUCH AN AGREEMENT AND TEST THEM AT THE FORTHCOMING ED-US TALKS. FOR INSTANCE, SUCH AN AGREEMENT COULD INTER ALIA INCLUDE PROVISIONS FOR SUSPENSION OF THE EC IMPORT AND EXPORT LEVIES AND EXPORT SUBSIDIES FOR A GIVEN TRADE VOLUME IN CASES OF WORLD SURPLUSES OR SHORTAGES.

5. MTN DEL APPRECIATES THE ORIGINAL IDEAS ON SUPPLY MANAGEMENT MEASURES (PARA 8A REFTEL). WITH RESPECT TO THE PRICE-TRADING SYSTEM OUTLINED IN PARA 8B, HOWEVER, AND RABOT'S SUGGESTION "THAT THE US LOAN RATE FACTURED TO PORTS OF EMBARKATION BE USED AS THE FLOOR PRICE", WE RECALL THAT WHEAT TRADE CONVENTION PORTION OF INTERNATIONAL GRAINS ARRANGEMENT CONTAINED PRICE MINIMA USING A US WHEAT OUT OF US GULF PORTS AS BASING POINT, WITH MINIMA OF FOREIGN WHEATS FROM FOREIGN PORTS DERIVED FROM THAT BASING POINT. THIS CREATED RIGIDITY FOR THE UNITED STATES BUT NOT FOR OTHER WHEAT SUPPLIERS SINCE, AS WORLD PRICES APPROACHED THE MINIMA, OTHER SUPPLIERS COULD "FUDGE" THROUGH MANIPULATION OF THE ELEMENTS OF THEIR DERIVED MINIMA (E.G., SHIPPING CHARGES), WHILE SUCH FLEXIBILITY WAS NOT AVAILABLE TO THE UNITED STATES. WE ALSO QUESTION WHETHER RABOT'S SUGGESTION OF SETTING PRICE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MTN GE 02159 221509Z

MINIMA/MAXIMA FOR EACH REPEAT EACH GRAIN (PARA 8B REFTEL) WOULD BE TECHNICALLY FEASIBLE.

6. WE ALSO WISH TO DRAW ATTENTION TO THE FACT THAT SEVERAL OF THE IDEAS MENTIONED IN THE REFTEL HAVE BEEN THE SUBJECT OF THOROUGH DISCUSSIONS BOTH IN THE MTN SUBGROUP ON GRAINS AND IN THE IWC IN LONDON.

7. WE HAVE RESERVATIONS ON ONE OTHER POINT OF SOME IMPORTANCE. PARA 6B REFTEL SUGGESTS US INSTEAD ON CUTS IN EC TARIFFS ON NON-VARIABLE LEVY AGRICULTURAL PRODUCTS VIA A SINGLE AGREED TARIFF-CUTTING FORMULA COVERING BOTH INDUSTRY AND AGRICULTURE. WE DO NOT THINK THIS IS ACHIEVABLE NOR WILL IT NECESSARILY FACILITATE ATTAINMENT OF BETTER ACCESS FOR SOME KEY US AGRICULTURAL EXPORT INTERESTS SUCH AS TOBACCO (WHERE THE PRICE BREAK POINT IN THE TARIFF IS THE MAIN PROBLEM FOR US) AND SOME OF THE MORE ESOTERIC FEATURES OF THE EC'S SUGAR-ADDED LEVY AFFECTING US CANNED FRUITS. EVEN IF EC COULD BE INDUCED TO ACCEPT A

SINGLE TARIFF-CUTTING FORMULA "IN PRINCIPLE" (AND IT WOULD PRESUMABLY REQUIRE A FORMAL AMENDMENT OF THE EC NEGOTIATING MANDATE TO PERMIT THIS) IT SEEMS TO US THE EC WILL REQUIRE SO MANY AGRICULTURAL EXCEPTIONS FROM A FIXED FORMULA TARIFF CUT AS TO HARDLY MAKE IT WORTHWHILE TO CONTINUE THIS PROCEDURAL DISPUTE. INSTEAD, WE FAVOR A "REQUEST-OFFER" PROCEDURE FOR AGRICULTURAL TARIFF CUTS; THIS COULD BE LINKED IN VARIOUS WAYS TO INDUSTRIAL TARIFF CUTS, E.G., AG TARIFF CUTS VIA A "REQUEST-OFFER" PROCEDURE TAKING INTO ACCOUNT TO THE MAXIMUM EXTENT POSSIBLE THE FORMULA APPLICABLE TO OTHER PRODUCTS. THE KEY LINKAGE, IN OUR VIEW, IS THAT THERE MUST BE A GENUINE UNDERSTANDING BETWEEN THE US AND EC THAT THE NEGOTIATIONS WILL AIM AT SIGNIFICANT LIBERALIZATION OF TARIFFS (AND, OF COURSE, OTHER BARRIERS) AFFECTING BOTH AGRICULTURE AND INDUSTRY. THE NAME OF THE MTN GROUP ON THE DOOR OF THE ROOM WHERE AGRICULTURAL TARIFFS ARE DISCUSSED ISN'T CONFIDENTIAL

CONFIDENTIAL

PAGE 04 MTN GE 02159 221509Z

WORTH ARGUING ABOUT, PARTICULARLY SINCE MOST REAL NEGOTIATIONS WILL TAKE PLACE BILATERALLY AND PLURILATERALLY. A QUICK LOOK AT 1974 EC MFN IMPORTS SUGGESTS THAT EC HAS 502 DUTYABLE ONLY TARIFF LINE ITEMS IN BTN 1-24. IN ONLY 129 OF THOSE ITEMS DID UNITED STATES SUPPLY 10 PERCENT OR MORE OF TOTAL EC MFN IMPORTS. IN ONLY 18 OF THOSE 502 ITEMS WERE US EXPORTS TO EC IN 1974 VALUED AT \$10 MILLION OR MORE. CUBLERT

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Message Attributes

Automatic DecapTIONing: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, AGRICULTURAL COMMODITIES
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Mar-1977 12:00:00 am
DecapTION Date: 22 May 2009
DecapTION Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MTNGE02159
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770098-0067
Format: TEL
From: MTN GENEVA
Handling Restrictions:
Image Path:
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Legacy Key: link1977/newtext/t19770335/aaaabehm.tel
Line Count: 147
Litigation Code IDs:
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Locator: TEXT ON-LINE, ON MICROFILM
Message ID: abea34b4-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 EC BRUSSELS 2590
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3036109
Secure: OPEN
Status: NATIVE
Subject: US-EC AGRICULTURAL DISCUSSIONS, WASHINGTON, MID-APRIL
TAGS: EAGR, ETRD, US, XT
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/abea34b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009